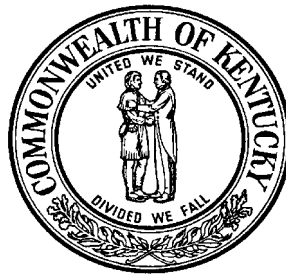


**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gene McMurry, County Judge Executive
Honorable Charles Maiden, Jr., Carroll County Sheriff
Members of the Carroll County Fiscal Court

The enclosed report prepared by Stephens & Lawson, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Carroll County, Kentucky, for the year ended December 31, 2001.

We engaged Stephens & Lawson, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Stephens & Lawson, PSC, evaluated the Carroll County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARROLL COUNTY SHERIFF**

Calendar Year 2001

EXECUTIVE SUMMARY
CARROLL COUNTY
CHARLES MAIDEN, JR., SHERIFF
CALENDAR YEAR 2001
FEE AUDIT

The Carroll County Sheriff's 2001 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$1,467 from the prior calendar year, resulting in excess fees of \$24,246 as of December 31, 2001. Revenue increased by \$51,181 from the prior year and disbursements increased by \$49,714.

Deposits:

On November 2, 2001, \$600,951 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. In addition, the Sheriff did not have a written agreement with the depository institution securing the Sheriff's interest in the collateral.

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To the People of Kentucky

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Honorable Charles Maiden, Jr., Carroll County Sheriff
Members of the Carroll County Fiscal Court

Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Carroll County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flannery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Gene McMurry, County Judge Executive

Honorable Charles Maiden, Jr., Carroll County Sheriff

Members of the Carroll County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits And Enter Into A Written Agreement To Protect Deposits.

Respectfully submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
August 21, 2002

CARROLL COUNTY
CHARLES MAIDEN, JR., SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Grants			
KLEFPF		\$	13,242
State Fees For Services:			
Finance and Administration Cabinet			25,221
Fiscal Court			8,777
Circuit Court Clerk			
Sheriff's Security Service	\$	17,268	
Arrest Fees		<u>2,765</u>	20,033
County Clerk			
Delinquent Taxes			956
Commission on Taxes Collected			162,166
Fees Collected For Services -			
Auto Inspections	\$	6,617	
Serving Papers		<u>14,690</u>	21,307
Other -			
Carrying Concealed Deadly Weapon Permits	\$	3,270	
Sheriff's Penalty		13,188	
Transporting Prisoners		5,241	
Miscellaneous		<u>1,762</u>	23,461
Interest Earned			3,246
Borrowed Money:			
Loan From 2000 Fee Account	\$	15,000	
Repayment from 2002 Fee Account		12,500	
State Advancement		<u>85,000</u>	<u>112,500</u>
Total Receipts (Carried Forward)			\$ 390,909

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
CHARLES MAIDEN, JR., SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2001
(CONTINUED)

Disbursements

Operating Disbursements -			
Personnel Services -			
Deputies' Gross Salaries	\$	83,463	
Part-Time Salaries		11,639	
Other Salaries		23,674	
Overtime Salaries		9,484	
KLEFPF		12,400	\$ 140,660
Employee Benefits -			
Employer's Share Retirement - KLEFPF	\$	834	
Employer Paid Health Insurance		8,777	
Training Fringe Benefit		1,460	11,071
Supplies and Materials -			
Office Materials and Supplies	\$	2,032	
Uniforms		5,828	7,860
Auto Expense -			
Gasoline	\$	13,339	
Maintenance and Repairs		5,125	18,464
Other Charges -			
Bond	\$	695	
Carrying Concealed Deadly Weapon Permits		2,290	
Cellular Telephone		2,012	
Conventions and Travel		2,208	
Court Costs and Fees		3,970	
Miscellaneous		3,308	
Postage		2,436	16,919
Capital Outlay			
Radios			2,262
Debt Service -			
Repaid to 2000 Fee Account	\$	15,000	
Loaned to 2002 Fee Account		12,500	
State Advancement		85,000	112,500
Total Disbursements			<u>309,736</u>
Net Receipts			\$ 81,173
Less: Statutory Maximum			<u>56,927</u>
Excess Fees Due County for Calendar Year 2001			\$ 24,246
Payment to County Treasurer - February 22, 2002			<u>24,246</u>
Balance Due at Completion of Audit			<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(CONTINUED)

NOTE 3 - DEPOSITS

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 2, 2001, the collateral and FDIC insurance together did not equal or exceed the amount of deposit, leaving \$600,951 of public funds uninsured and unsecured. In addition, the Sheriff did not have a written agreement with the depository institution securing the Sheriff's interest in the collateral.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 2, 2001.

	Bank Balance
Collateralized with securities held by the county official's agent in the county official's name	\$ 102,118
Collateralized with securities held by pledging depository institution in the county official's name	3,000,000
Uncollateralized and uninsured	<u>600,951</u>
Total	<u><u>\$ 3,703,069</u></u>

NOTE 4 – K-9 ACCOUNT

The Sheriff has an account used for the care and upkeep of a drug dog. The account is also used for making drug buys. The account had a beginning balance of \$793, receipts of \$7,262, and disbursements of \$7,333. The account had an ending balance of \$722 as of December 31, 2001.

COMMENT AND RECOMMENDATION

CARROLL COUNTY
CHARLES MAIDEN, JR, COUNTY SHERIFF
COMMENT AND RECOMMENDATION
Calendar Year 2001

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Enter Into A Written Agreement To Protect Deposits

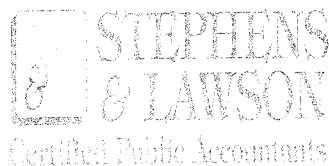
On November 2, 2001, \$600,951 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the Sheriff enter into a written agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Sheriff's Response:

We will discuss this matter with the bank to ensure that the pledge is sufficient to cover deposits in the future.

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**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gene McMurry, County Judge Executive
Honorable Charles Maiden, Jr., Carroll County Sheriff
Members of the Carroll County Fiscal Court

**Report on Compliance and on Internal Control Over Financial Reporting Based on an
Audit of the Financial Statement Performed in Accordance With Government Auditing Standards**

We have audited the Carroll County Sheriff as of December 31, 2001, and have issued our report thereon dated August 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carroll County Sheriff's financial statement as of December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comment and recommendation.

- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted,

Stephens & Lawson, P.S.C.

Audit fieldwork completed -
August 21, 2002

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